Subject: Social Security Administration Mailing of the Personal Earnings and Benefits Estimate Statement (PEBES)

Background: Congress mandated that the Social Security Administration (SSA) send all workers an annual Personal Earnings and Benefit Estimate Statement (PEBES) by fiscal year 2000. SSA has been phasing in the mailing since April 1995. By the end of this calendar year, all workers aged 47 and older should receive a PEBES. Beginning in October 1999, the mailings will become an annual process and will expand to include all workers age 25 and older. It is important to note, however, that the statements are not adjusted for the Windfall Elimination Provision or the Government Pension Offset, which may mislead some employees about future benefits.

Purpose: The purpose of this Benefits Administration Letter (BAL) is to alert you to this mailing and assist you to inform employees who are eligible to transfer to the Federal Employees Retirement System (FERS) in the upcoming open season about it by providing you with a sample employee letter. We believe the information will help eligible employees make their decisions about transferring to FERS. All employees who are eligible to transfer to FERS should be made aware that the statement he or she receives is not adjusted for the Windfall Elimination Provision nor does it take into account the impact of the Government Pension Offset Provision. The attached sample employee letter has been developed in coordination with SSA. At a later date, we will provide you another sample letter that can be given to all your employees, including those already covered by FERS.

Employees who need a PEBES in connection with making a FERS transfer decision can visit SSA’s web site at www.ssa.gov to request one. This will provide them with a quick turnaround, usually 2-4 weeks. As an alternative for employees who want to request an earnings statement by mail, attached to this BAL is the “Request for Earnings and Benefits Estimate Statement”, SSA-7004, that employees may use to
request a PEBES. We encourage you to reproduce this form for use by employees who choose not to use the web site to request a PEBES by mail but make them aware that SSA’s response will take longer than a response to an Internet request. The employee letter also refers to attachment of SSA’s information sheets *A Pension From Work Not Covered By Social Security* and *Government Pension Offset*. Copies of the information sheets are attached.

Mary M. Sugar, Chief
Agency Services Division
Retirement and Insurance Service

Attachments
Sample Employee Letter

Do you expect to receive a Social Security benefit some day? If you do, this letter has information for you.

Have you received a Personal Earnings and Benefit Estimate Statement (PEBES) from the Social Security Administration (SSA) recently, even though you don’t remember asking for this information? If you received a PEBES that you didn’t ask for, it is because SSA began sending them to workers in 1995. If you were born in 1944 or earlier, you should already have received a PEBES.

If you were born in the years 1945-1951, you should receive a PEBES in 1998 in the quarter of the month of your birth. For example, if you were born in September 1945 and have never requested a PEBES, you should automatically receive a statement during the July - September 1998 quarter. People born in 1952 thru 1959 will receive PEBES during fiscal year 1999. SSA plans to speed up issuing those statement, so you will receive a PEBES during the October 1998-March 1999 time period. Beginning in fiscal year 2000, the mailings will become an annual process and will expand to include all workers age 25 and older.

If you have enough credits under Social Security to be eligible for a retirement benefit (40 or more credits), your PEBES will show an estimated benefit amount. **If you are currently covered by the Civil Service Retirement System (CSRS) or have CSRS Offset coverage (which is a combination of CSRS and Social Security) the benefit amount shown on your PEBES may not be correct.** This is because you may be affected by a part of the Social Security law known as the Windfall Elimination Provision, or WEP, which is not accounted for in the amount shown on a PEBES. (Note: This also applies to employees who don’t currently have CSRS coverage, but who expect an annuity in the future that is based totally or in part on past CSRS coverage. However, the WEP does not apply to employees who have only had coverage under the Federal Employees Retirement System (FERS)).

During the period July 1 to December 31, 1998, there will be an open season in which employees who are covered by CSRS and CSRS Offset, as well as certain employees who currently have only Social Security coverage, will have the opportunity to transfer to FERS. Since Social Security is a part of FERS, transferring to FERS to avoid or minimize the impact of the WEP will be a consideration for some CSRS-covered employees. You will be receiving more information about the FERS open season by June 15. And of course, any substantial earnings you have after you leave Federal employment will reduce the impact of the WEP.
The Windfall Elimination Provision

This provision of law reduces Social Security benefits for workers who have less than 30 years of “substantial coverage” under Social Security and who have earned a retirement benefit from employment not covered by Social Security; for example, CSRS service. (In 1998, the amount needed for substantial coverage is $12,675. In contrast, the amount needed to earn four credits of coverage in 1998 is $2,800.) If you are subject to the WEP, your Social Security benefit will be figured using a modified benefit formula that will result in your benefit being lower than the amount that is shown on your PEBES.

Example: Suppose that your average indexed monthly earnings for Social Security are $1000. The regular formula for computing Social Security benefits produces a benefit of $567 per month. However, when the full windfall reduction is applied, the monthly benefit becomes $354.

The attached information sheet, A Pension From Work Not Covered By Social Security, provides more information about the WEP. It has been provided by the Social Security Administration.

You can easily approximate the impact of the WEP on your Social Security benefit by using the following table. It shows how the PEBES for a person reaching age 62 in 1998 or later can be adjusted to reflect the WEP in most cases by subtracting a specified amount from the age-62 or age-65 benefit estimate. The amount to be subtracted depends on the number of years of substantial Social Security earnings you will have acquired by the time you begin to receive Social Security benefits. Even though you may not be close to age 62, this method will give you an idea of the potential impact of the WEP on your benefit.
<table>
<thead>
<tr>
<th>Years of Substantial Earnings</th>
<th>Retirement at Age 62</th>
<th>Retirement at Age 65</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 or more</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>29</td>
<td>19</td>
<td>24</td>
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<td>22</td>
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<td>192</td>
</tr>
<tr>
<td>21</td>
<td>173</td>
<td>216</td>
</tr>
<tr>
<td>20 or less</td>
<td>192</td>
<td>240</td>
</tr>
</tbody>
</table>

**Example:** If you have 23 years of substantial earnings and expect to begin receiving your Social Security Benefit at age 62, you should subtract $134 from the amount shown on your PEBES.

**Can I Avoid the WEP Reduction?** Maybe. The primary way to avoid the WEP reduction is by accumulating 30 years of substantial earnings that are covered by Social Security. If you have CSRS Offset coverage, you already have Social Security coverage.

**The Government Pension Offset**

The Government Pension Offset, or GPO, is a second provision of the Social Security law that affects many Federal employees. It affects workers who are entitled to a pension based on work in a Federal, State, or local government that was not covered by Social Security, such as CSRS. It also affects employees who transfer to FERS, but do not work for 5 years under FERS. The GPO does not affect employees who were required by law to have Social Security coverage -- such as employees who were automatically covered by FERS without electing it, and people with CSRS Offset coverage.

The GPO affects the Social Security benefits you may be entitled to as a spouse, former spouse, or surviving spouse of someone who is eligible for a full Social Security benefit. Under the GPO, your Social Security spousal benefit will be reduced by $2 for every $3 you
receive from your CSRS annuity. Your own PEBES will not give you information about the impact of the GPO. You need to review your spouse’s PEBES, which will give you information about your spousal benefit and adjust that amount.

**Example:** Suppose you are eligible for a $600 Social Security spousal benefit, and that you receive a CSRS annuity of $1,200 a month. The GPO would be two thirds of your monthly $1,200 CSRS benefit, or $800. Since the offset amount is larger than your $600 Social Security benefit, your Social Security benefit would be eliminated.

**Can I Avoid the Government Pension Offset?** Maybe. If you leave Federal service and return to a CSRS-covered appointment after more than 365 days, you would be required by law to have Social Security coverage, so you would have CSRS Offset coverage. In this case, you would be exempt from the GPO. In addition, employees who transfer to FERS and work for 5 or more years under FERS are exempt from the GPO. The FERS open season information you will receive by June 15 will have more details about this option.

The attached information sheet, *Government Pension Offset*, provides more details about the GPO. It has been provided by the Social Security Administration.

**Computing Your Own Benefit**

SSA has a web site at [www.ssa.gov](http://www.ssa.gov) that contains a wealth of information, including a benefit estimate program for personal computers. It is an interactive program that works on IBM PC’s and compatibles running Microsoft Windows operating system version 3.1, Windows 95, or Windows NT version 3.5 or 4.0. It computes the WEP. Since past earnings are required by the program, if you have a PEBES, you should use the earnings shown on it. If you don’t have a PEBES, you may be able to estimate your past earnings reasonably well. If you don’t want to do this, you can request a PEBES as follows.

**Requesting a PEBES**

If you think you will need a PEBES to help make a decision whether to transfer to FERS, the fastest way to obtain one is to visit [www.ssa.gov](http://www.ssa.gov) to request one online. This will provide you with quick turnaround, usually 2-4 weeks. You may also use the attached *Request for Earnings and Benefits Estimate Statement*, SSA-7004, to request a PEBES by mail. However, using the paper request will take longer.

If you have questions concerning the information contained in this letter or need to request additional information, please contact (agency fill in contact person).

Attachments
Request for Earnings and Benefit Estimate Statement

☐ Please check this box if you want to get your statement in Spanish instead of English.

Please print or type your answers. When you have completed the form, fold it and mail it to us.

1. Name shown on your Social Security card:

First Name ___________________________ Middle Initial __________

Last Name Only

2. Your Social Security number as shown on your card:

3. Your date of birth

Month ___ Day ___ Year ___

4. Other Social Security numbers you have used:

5. Your sex: ☐ Male ☐ Female

6. Other names you have used (including a maiden name):

For items 7 and 9 show only earnings covered by Social Security. Do NOT include wages from State, local or Federal Government employment that are NOT covered for Social Security or that are Covered ONLY by Medicare.

7. Show your actual earnings (wages and/or net self-employment income) for last year and your estimated earnings for this year.

A. Last year’s actual earnings: (Dollars Only)

$ ☐ ☐ ☐, ☐ ☐ ☐. 0 0

B. This year’s estimated earnings: (Dollars Only)

$ ☐ ☐ ☐, ☐ ☐ ☐. 0 0

8. Show the age at which you plan to stop working.

(Show only one age)

9. Below, show the average yearly amount (not your total future lifetime earnings) that you think you will earn between now and when you plan to stop working. Include cost-of-living, performance or scheduled pay increases or bonuses.

If you expect to earn significantly more or less in the future due to promotions, job changes, part-time work, or an absence from the work force, enter the amount that most closely reflects your future average yearly earnings.

If you don’t expect any significant changes, show the same amount you are earning now (the amount in 7B).

Future average yearly earnings: (Dollars Only)

$ ☐ ☐ ☐, ☐ ☐ ☐. 0 0

10. Address where you want us to send the statement.

Name ________________________________

Street Address (Include Apt. No., P.O. Box, or Rural Route)

City __________________ State ______ Zip Code ______

Notice:
I am asking for information about my own Social Security record or the record of a person I am authorized to represent. I understand that when requesting information on a deceased person, I must include proof of death and relationship or appointment. I further understand that if I deliberately request information under false pretenses, I may be guilty of a federal crime and could be fined and/or imprisoned. I authorize you to use a contractor to send the statement of earnings and benefit estimates to the person named in item 10.

Please sign your name (Do not print)

Date ____________________ (Area Code) Daytime Telephone No. _______
About The Privacy Act
Social Security is allowed to collect the facts on this form under Section 205 of the Social Security Act. We need them to quickly identify your record and prepare the earnings statement you asked us for. Giving us these facts is voluntary. However, without them we may not be able to give you an earnings and benefit estimate statement. Neither the Social Security Administration nor its contractor will use the information for any other purpose.

Time It Takes To Complete This Form
We estimate that it will take you about 5 minutes to complete this form. This includes the time it will take to read the instructions, gather the necessary facts and fill out the form. If you have comments or suggestions on this estimate, write to the Social Security Administration, ATTN: Models Clearance Officer, 1-A-21 Operations Bldg., Baltimore, MD 21235-0001. Send only comments relating to our estimate or other aspects of this form to the office listed above. All requests for Social Security cards and other claims-related information should be sent to your local Social Security office, whose address is listed under Social Security Administration in the U.S. Government section of your telephone directory.

Mailing Instructions
Print form on 8 1/2 x 11 inch paper, complete and sign form, fold in thirds and insert in a standard size number 10 business envelope(4 1/8 x 9 1/2 inch).

Mail to the following address:
Social Security Administration
PO Box 3600
Wilkes-Barre, PA 18767-3600.

Future Revised Editions
SSA forms are subject to periodic revisions. You can be assured that the SSA Internet Server will always have the latest edition of this form. Please check to make certain that you have the latest edition.

Request for Earnings and Benefit Estimate Statement

The Social Security program belongs to you and you can count on it to be there for you. Social Security can protect you in many ways. It can help support your family in the event of your death and provide monthly payments and health insurance when you retire or if you become disabled.

To help you learn how Social Security is a part of your life, we are pleased to offer you a free Personal Earnings and Benefit Estimate Statement.

The Personal Earnings and Benefit Estimate Statement shows your Social Security earnings history and estimates how much you have paid in Social Security taxes. It also estimates your future benefits and tells you how you can qualify for benefits. When you receive your earnings statement, we hope you will use it to start planning for a strong financial future.

To receive your statement, please fill out the form and mail it to us. You should receive your statement in 6 weeks or less. We look forward to sending it to you.

Shirley S. Chater
Commissioner of Social Security
Government Pension Offset
A Law That Affects Spouse's Or Widow(er)'s Benefits

If you worked for a federal, state or local government where you did not pay Social Security taxes, the pension you receive from that agency may reduce any Social Security benefits for which you are qualified.

There are two laws that may reduce your benefits. One of them affects the way your Social Security retirement or disability benefits are figured. For more information about that provision, contact Social Security for the factsheet, A Pension From Work Not Covered By Social Security (Publication No. 05-10045).

The second law affects Social Security benefits you receive as a spouse or widow(er). This factsheet provides answers to questions you may have about this provision.


Maybe not. Some or all of your Social Security spouse's or widow(er)'s benefit may be offset if you receive a pension from a job where you did not pay Social Security taxes.

How Much Is The Offset?
The offset will reduce the amount of your Social Security spouse's or widow(er)'s benefits by two-thirds of the amount of your government pension. In other words, if you get a monthly civil service pension of $600, two-thirds of that, or $400, must be used to offset your Social Security spouse's or widow(er)'s benefits. If you're eligible for a $500 widow(er)'s benefit, you'll receive $100 per month from Social Security ($500 - $400 = $100).

If you take your annuity in a lump sum, the offset is figured as if you chose to receive regular monthly benefits.

Why Is There An Offset?
Social Security spouse's benefits provide income to wives and husbands who have little or no Social Security benefits of their own. From the beginning of the Social Security program, spouse's benefits were intended for women and men who were financially dependent on their husbands or wives who worked at jobs covered by Social Security.

Before the offset provisions were enacted, many government employees qualified for a pension from their agency and for a spouse's benefit from Social Security, even though they were not dependent on their husband or wife.

This example helps clarify why there is an offset.

Bill Smith collects a Social Security benefit of $600 per month. His wife, Mary, is potentially eligible for a wife's benefit of up to 50 percent of Bill's, or $300. However, Mary also worked and paid into Social Security, qualifying for her own retirement benefit of $400. By law, Mary can only receive the higher of the two benefits she is eligible for, not both. She will not receive any wife's benefits because her $400 retirement benefit, in effect, "offsets" her $300 wife's benefit.

Bill's neighbor, Tom, also gets a Social Security benefit of $600 per month. But his wife, Nancy, had a job with the federal government, instead of one where she paid Social Security taxes, and earned a civil service pension of $800 per month. Before the
government pension offset provisions were in place, Nancy would have been eligible for both her $800 civil service pension and a $300 wife’s benefit on Tom’s Social Security record. With the offset provision, Nancy does not qualify for a wife’s benefit from Social Security and is treated the same as Mary.

Who Is Exempt?

- Any state, local or military service employee whose government pension is based on a job where he or she was paying Social Security taxes on the last day of employment. (Some government entities were not initially covered by Social Security, but chose to participate in Social Security at a later date.)
- Anyone whose government pension is not based on his or her own earnings.
- Anyone who received or who was eligible to receive a government pension before December 1982 and who meets all the requirements for Social Security spouse’s benefits in effect in January 1977. (Essentially, this provision applies to a divorced woman whose marriage must have lasted 20 years and to a husband or widower who must have received one-half of his support from his wife.
- Anyone who received or was eligible to receive a federal, state or local government pension before July 1, 1983, and was receiving one-half support from her or his spouse.
- Federal employees who are mandatorily covered under Social Security.
- Federal employees who chose to switch from the Civil Service Retirement System to the Federal Employee Retirement System (FERS) on or before December 1987. Federal employees who choose to switch to Social Security coverage after that date will need five years under FERS to be exempt from government pension offset. If, however, the Office of Personnel Management allowed an employee to make a belated election to FERS, that change could have been made through June 30, 1988.

What About Medicare?

Even if you do not receive cash benefits on your spouse’s record, you can still get Medicare at age 65.

Can I Still Get Benefits On My Own Record?

The offset applies only to Social Security benefits as a spouse or widow(er). However, your own benefits may be reduced due to another provision of the law. Contact Social Security for the factsheet, A Pension From Work Not Covered By Social Security (Publication No. 05-10045).

Any Questions?

You can get recorded information about Social Security coverage 24 hours a day, including weekends and holidays, by calling Social Security’s toll-free number 1-800-772-1213. You can speak to a service representative between the hours of 7 a.m. and 7 p.m. on business days. Our lines are busiest early in the week and early in the month so, if your business can wait, it’s best to call at other times. Whenever you call, have your Social Security number handy.

Hearing-impaired callers using “TDD” equipment can reach Social Security between 7 a.m. and 7 p.m. on business days by calling 1-800-325-0778.

You can also reach us on the Internet. Type http://www.ssa.gov to access Social Security information.

The Social Security Administration treats all calls confidentially—whether they’re made to our toll-free numbers or to one of our local offices. We also want to ensure that you receive accurate and courteous service. That’s why we have a second Social Security representative monitor some incoming and outgoing telephone calls.
If you work for an employer who doesn’t withhold Social Security taxes, such as a government agency or an employer in another country, the pension you get based on that work may reduce your Social Security benefits.

Your benefit can be reduced in one of two ways. One is called the “government pension offset,” and applies only if you receive a government pension and are eligible for Social Security benefits as a spouse or widow(er). For more information on the offset, ask Social Security for the factsheet, *Government Pension Offset* (Publication No. 05-10007).

The other way—called the “windfall elimination provision”—affects how your retirement or disability benefits are figured if you receive a pension from work not covered by Social Security. The formula used to figure your benefit amount is modified, giving you a lower Social Security benefit. This factsheet explains the computation formula.

**Why Is A Different Formula Used?**

Social Security benefits replace a percentage of a worker’s pre-retirement earnings. The formula used to compute benefits includes factors that ensure lower-paid workers get a higher return than highly paid workers. For example, lower-paid workers could get a Social Security benefit that equals about 60 percent of their pre-retirement earnings. The average replacement rate for highly paid workers is about 25 percent.

Before 1983, benefits for people who spent time in jobs not covered by Social Security were computed as if they were long-term, low-wage workers. They received the advantage of the higher percentage benefits in addition to their other pension. The modified formula eliminates this windfall.

**How Does It Work?**

Social Security benefits are based on the worker’s average monthly earnings adjusted for inflation. When we figure your benefits, we separate your average earnings into three amounts and multiply the amounts using three different factors. For example, for a worker who turns 62 in 1998, the first $477 of average monthly earnings is multiplied by 90 percent; the next $2,398 is multiplied by 32 percent; and the remainder by 15 percent.

The 90 percent factor is reduced in the modified formula and phased in for workers who reach 62 or become disabled between 1986 and 1989. For those who reach 62 or become disabled in 1990 or later, the 90 percent factor is reduced to 40 percent.

There are exceptions to this rule. For example, the 90 percent factor is not reduced if you have 30 or more years of “substantial” earnings in a job where you paid Social Security taxes. The first table on the back lists the amount of earnings we consider “substantial” for each year.

If you have 21 to 29 years of substantial earnings, the 90 percent factor is reduced to somewhere between 45 and 85 percent. The second table shows the percentage used depending on the number of years of “substantial” earnings.
Substantial Year Earnings

<table>
<thead>
<tr>
<th>Year</th>
<th>Substantial Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937-50</td>
<td>900$</td>
</tr>
<tr>
<td>1951-54</td>
<td>900</td>
</tr>
<tr>
<td>1955-58</td>
<td>1,050</td>
</tr>
<tr>
<td>1959-65</td>
<td>1,200</td>
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<tr>
<td>1966-67</td>
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<td>1968-71</td>
<td>1,950</td>
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<td>1972</td>
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<tr>
<td>1997</td>
<td>12,150</td>
</tr>
<tr>
<td>1998</td>
<td>12,675</td>
</tr>
</tbody>
</table>

¹Total credited earnings from 1937-50 are divided by $900 to get the number of years of coverage (maximum of 14 years).

Some Exceptions

The modified formula does not apply to survivors benefits. It also does not apply to you if:

- you are a federal worker hired after December 31, 1983;
- you were employed on December 31, 1983, by a nonprofit organization that was exempt from Social Security and it became mandatorily covered under Social Security on that date;
- your only pension is based on railroad employment;
- your only work where you did not pay Social Security taxes was before 1957; or
- you have 30 or more years of substantial earnings under Social Security (as explained earlier).

Guarantee

Workers with relatively low pensions are protected because the reduction in the Social Security benefit under the modified formula cannot be more than one-half of that part of the pension attributable to earnings after 1956 not covered by Social Security.

For More Information

You can get recorded information 24 hours a day, including weekends and holidays, by calling Social Security’s toll-free number, 1-800-772-1213. You can speak to a service representative between the hours of 7 a.m. and 7 p.m. on business days. Our lines are busiest early in the week and early in the month, so, if your business can wait, it’s best to call at other times. Whenever you call, have your Social Security number handy.

People who are deaf or hard of hearing may call our toll-free “TTY” number, 1-800-325-0778, between 7 a.m. and 7 p.m. on business days.

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